

FISCAL NOTE

SB 1146 - HB 1613

March 16, 2005

SUMMARY OF BILL: Exempts the purchase of water used to aid in the growth and development of seeds, seedlings, or plants from state and local sales tax.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$69,000 One-Time

Decrease State Revenues – Exceeds \$60,000 Recurring

Decrease Local Govt. Revenues – Exceeds \$19,500 Recurring

Assumptions:

- Based on information obtained from the 2002 U.S. Census of Agriculture, Tennessee farmers used approximately 43.5 million cubic-feet of water for crops.
- Average price a cubic-foot of water is \$0.02.
- Estimated tax base is approximately \$870,000 (43.5 million cubic-feet of water used X \$0.02 price = \$870,000).
- Decrease in state sales tax collections estimated to exceed \$60,000 per year (\$870,000 tax base X 7% state rate = \$60,900).
- Decrease in local option sales tax collections estimated to exceed \$19,500 per year (\$870,000 tax base X 2.25% local option rate = \$19,575).
- Computer programming and software modifications would be required in the Department of Revenue estimated to cost approximately \$69,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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